THE SOCIAL SECURITY ACT

WHEN President Roosevelt on August 14, 1935, signed the Social Security bill he described the occasion as "historic for all time."[1] Not only does this Act afford some measure of protection to the average citizen against the hazards of unemployment and dependency in old age, but it constitutes the most important permanent Federal legislation for poor mothers, crippled children, the blind, and for public health work, that has been enacted up to this time in the United States.

Before taking up the special provisions of the Act a brief word should be said concerning its origin and its history.

On June 8, 1934, President Roosevelt, in a message to Congress, said: "Among our objectives I place the security of the men, women, and children of the nation first."[2] The President then appointed a Committee on Economic Security with the Secretary of Labor as its chairman. The committee had the assistance of a technical staff, a technical board, and several advisory committees on the various phases of social security.

The report of this committee was transmitted by the President to both houses of Congress on January 17, 1935. The House bill was passed April 19, by a vote of 371 to 33, and the Senate bill was passed June 19, by a vote of 76 to 6. The measure was finally approved by the President on August 14, 1935. The funds required for the operation of the Act were carried in the Third Deficiency Appropriation Bill which failed to pass the last Congress and therefore must be appropriated by the next Congress. Meantime the States are drawing up their plans and programs for the various activities to be carried on under the Act.

The Social Security Act provides certain protection for both young and old. It makes provision for encouraging state unemployment compensation systems, for old-age pensions, pensions for the blind, for maternal and child health, physical care of crippled children, vocational rehabilitation, and general public-health work. These various provisions will be explained in the following sections.

Unemployment Insurance

One of the major schemes in the Social Security Act is to provide unemployment insurance. At present there are 3,250,000 families in our country on relief. These families include 4,885,000 workers, roughly one-tenth of all the gainful workers in the country, and nearly one-half of the total unemployed.[3] This means that there is in our country of 125 million people an army of unemployed mounting to nearly 10 million, or approximately one-twelfth of our total population.

In our cities there are lines of men blocks long, in coldest weather, sometimes in drenching rains, waiting for hours in the hope of getting a job. How often have they waited in vain?

It is to be hoped that unemployment insurance will relieve the conditions of those who are jobless. This insurance substitutes systematic for haphazard methods of providing income for the unemployed, and, while it may not eliminate entirely the need for work programs and direct relief, it should make these measures largely unnecessary except in major depressions or in communities where a particular industry is dying or moving away. Miss Perkins says, "Unemployment compensation may also be made a most effective weapon in stabilizing industry and reducing unemployment. Cooperation of government, business, and labor will undoubtedly make rapid progress in this field."[4]

---

[1] Katharine F. Lenroot, "Security for Mothers and Children." *Parents Magazine*, October, 1935, p. 15.

[2] *Ibid*, p. 15.

[3] "Relief Workers," *The New York Times*, Nov. 24, 1935. E. 3.

[4] Frances Perkins, "Social Security: The Foundation." *The New York Times Magazine*, Aug. 18, 1935, p. 2.

In order to secure the results mentioned above, the bill provides that after two or three years any worker who becomes unemployed may draw "unemployment benefits." Whether he gets anything and how much he gets depends on whether his state has a going unemployment insurance system. The Federal Government beginning in 1936 will tax all employers of eight or more workers unless such employers contribute to their state unemployment insurance fund.[5] New York State's system, which was created last spring, provides that after January 1, 1938, any man who has worked 90 days in the previous year or 130 days in the previous two years will, three weeks after becoming unemployed, draw benefits amounting to half his weekly pay, "(but not less than $5 or more than $15)."[6]

The number of weeks he gets unemployment benefits is limited to 16 in one year.

To provide unemployment insurance the Federal Government will tax employers 1% on their payrolls in 1936, 2% in 1937, 3% thereafter.[7] The states may claim up to 90% of this amount for their unemployment insurance systems, but it will all be deposited in the Federal Treasury to the states' credit.

In other words, the social security measure does not establish a Federal system of unemployment compensation, but makes it possible for the states to enact unemployment compensation laws, since by laying a tax on all employers in the country against which a credit is allowed for all contributions to state unemployment compensation funds it equalizes the cost between states with insurance laws and those without.

"Unemployment insurance," Senator Wagner says, "is not a new-fangled panacea. Having been utilized successfully in every major industrial country save our own, it rests upon the Gibraltar of business common sense."[8] This insurance is a more intelligent way of assisting the jobless than emergency relief, because preparedness is not as wasteful as planlessness. Its greatest merit, however, is that it should operate to minimize, if not to abolish, the likelihood of depressions. Such was the case in England during the recent depression.

A comment which leaves us with food for thought is Senator Wagner's statement: "Justice does not exist when the man unemployed through no fault of his own is more neglected than machinery that is idle during the slack season."[9]

Old Age Pensions

A federally administered old-age annuity system is the other major social insurance measure included in the Social Security Act. Beginning January 1, 1942, any worker[10] who retires at the age of 65 will be paid an annuity by the Government if he has earned $2,000 in wages during five or more years after 1936. If he earns $100 per month and has worked five years under the plan, he will get $17.50 a month. The amount increases with the number of years worked. The top figure for anyone at any time will be $85 a month.[11] If the worker dies before he is due an annuity, the Government will pay his estate an amount equal to 3½% of the wages he has earned after 1936. No matter how high a man's salary may be, he will get these annuities provided he retires at 65, but only the first $3,000 of his annual earnings will be treated as wages in calculating his annuity. One exception to this annuity system was provided by the Senate: Employees of firms which have approved pension systems may continue under them instead of under the Government plan. A number of Senators pointed out that this amendment would further complicate a bill of whose constitutionality they were uncertain. Another mistake made by the Senate was the addition of the Russell

[5]*Time,* July 1, 1935, p. 11.
[6]*Ibid,* p. 11.
[7]Frances Parkins, *op. cit.,* p. 2.
[8]"Giving Hostages to Posterity." *The Literary Digest,* August 24, 1935, p. 4.
[9]*Ibid.*
[10]Except casual workers, domestic servants, farm hands, Federal and state employees, workers for non-profit religious, scientific, charitable, literary, and educational institutions.
[11]*Time,* July 1, 1935, p. 11.

amendment, which provides for the granting of federal pensions in states which have no pensions as yet, thereby pitching the entire subject into the political arena and halting state action for old-age security.

To pay for retirement annuities there will be twin taxes on employees' pay envelopes and on employers' payrolls. The tax on each: "1% beginning in 1937, increasing ½% every third year until it reached 3% after 1948." These twin taxes apply to all wages although high salaried persons will receive pensions, as has already been mentioned, only on the basis of $3,000 per year income.

The old-age contributory insurance plan is fraught with many dangers. Enormous reserves, estimated at more than $1,000,000,000[12] by 1948 and at more than 40 billion dollars in 1980, are contemplated. These will create a stupendous problem of investment. "Experience everywhere indicates that politicians will hardly be able to keep their hands off such easy money."[13] The storing of so much sorely needed purchasing power may definitely hamper recovery. The constitutionality of the entire scheme is also extremely doubtful.

The old-age insurance plan, as well as the unemployment insurance plan, does not provide for any redistribution of the national income or for increasing purchasing power. On the contrary, it places the largest burden of the future support of the aged upon the workers and industry. The employees, who are both workers and consumers, will carry the load. "No other government has ever dared to establish a system of this nature without some governmental aid."[14]

Old-age insurance is used in communist as well as capitalist and fascist countries. Its chief asset lies in its power to distribute the cost over all groups in society—the rich as well as the poor. But by placing the entire burden of taxation upon the workers and industry, most current writers believe that the bill is socially unwise. There is also grave danger that the administrative perplexities inherent in the bill, to say nothing of possible court nullification, may deal a death blow to the entire movement in the United States.

Fortunately, there will be ample time for Congress to consider and correct the defects of the bill. The old-age insurance income and excise taxes do not go into effect until 1937.

Now that a social security measure is assured, and haste is no longer considered necessary, there will be time for quiet, dispassionate study and mature amendment. Let us hope for the best. This is the first time we have accepted the principle that old-age insurance is not a casual responsibility of charity, or of local influence or whim, but is a national duty. We do not want to see the idea rejected because it cannot be properly financed.

Federal Grants for Dependents

In its outline the Social Security Act recognizes and covers a wide area of the social distress and maladjustment which has long been present in American life in times of plenty as in times of depression. It contains an appropriation of 50 million for poor mothers, crippled children, the blind, child-welfare, and public health activities.

The Social Security Act authorizes a total appropriation of $24,750,000[15] for the fiscal year ending June 30, 1936, to be used for grants to the states for aid to needy dependent children up to 16 years of age who have been deprived of parental support. The Federal contribution is limited to one-third of the total grant or pension and may not exceed $18 per month for one child and $12 per month for each other dependent child in the same home.

The act also provides an appropriation of $3,800,000 for maternal and child-health work. The funds are to be apportioned to

[12]Abraham Epstein, "Social Security under the New Deal." *The Nation,* Sept. 4, 1935, p. 262.
[13]Abraham Epstein, *op. cit.*
[14]"How Much Social Security," *The New Republic,* July 3, 1935.

[15]Katharine F. Lenroot, *op cit.*

the states on a matching basis, $20,000 to each state, $1,800,000 to be apportioned on the basis of the number of live births in each state.[16]

The Federal assistance provided under this part of the bill will enable the states to resume and extend child-health services which have been greatly curtailed during the depression. Mothers and children in rural areas, particularly, have been outside the scope of public-health nursing and other necessary health services. "Since 1929 infant death rates have been higher in the country than in the city—a reversal of the previous relationship existing between these two sets of figures. Between 1933 and 1934 the urban infant mortality rate increased from 57 to 58 and the rural rate from 59 to 62."[17]

Childbirth is the second most important cause of death among women between the ages of 20 and 45 in the United States. This country has a higher maternal death rate than almost any other country.

The Act provides Federal grants-in-aid for extending and improving services to crippled children. The total appropriation authorized is $2,850,000. Each state is entitled to $20,000 and an additional amount to be allotted by the Secretary of Labor on the basis of the number of crippled children in the state needing care and the cost of such care. In this program, too, the services are to be extended especially to rural areas and areas suffering from severe economic distress. The funds are to be used for locating crippled children and for providing medical, surgical, and hospital care, and after-care for children who are crippled or suffering from conditions which may lead to crippling.

Social services for the protection and care of homeless, dependent, or neglected children and children in danger of becoming delinquent are badly needed in all communities, and are lacking in many rural communities and small towns. To stimulate the development of these child-welfare services a Federal appropriation of $1,500,000[18] is made available for use. Of this amount each state receives $10,000 and the balance is divided among the states on the basis of rural population.

The key to the success of the child welfare provisions of the Social Security program rests with the states. Nation-wide policies, adapted to state conditions, and through state agencies translated into local programs, affect individuals only in their home communities.

The Social Security Act in its provision for dependents constitutes a broad, practicable plan which will make a beginning in safeguarding the security of the American family. In this respect it will doubtless stand as one of the principal contributions of our generation to the progress of human welfare.

Objections to the Social Security Act

The Social Security Act is one of the greatest tax bills ever passed in the United States. This act sets up a new principle in taxation, namely, a tax on payrolls. "Because these taxes start small and the full impact is deferred, the bill was allowed to pass with little or no opposition."[19]

The law requires the co-operation of the states in paying some of these benefits, "hence more taxes."[20] Citizens will not get their benefits in those states not passing companion Social Security laws, but the Federal payroll taxes will be levied just the same.

In the long run the worker will pay the payroll taxes imposed by the Social Security law, because industry will make every effort to pass on its levy to the consumers. Thus the employees in their dual role of workers and consumers will bear the major cost of the bill. No other nation has ever put into operation a plan of this nature

[16] *Ibid*, p. 68-69.
[17] *Ibid*, p. 69.

[18] Katherine F. Lenroot, *op. cit.*, p. 70.
[19] "Social Security," *The New York Times*, November 17, 1935, E. 9.
[20] *Ibid.*

without government contributions derived from the higher-income groups.

The Federal grants for pensions in old age, to dependent mothers, to the blind, and to varied child-welfare and public-health activities are sound and constitutional. They mark truly advanced steps and genuine progress. The unemployment insurance and old-age contributory insurance plans, however, are administratively and socially unwise.

The Future

The social security program, which has just been embodied in an Act of Congress, represents a most significant step in our national development. It is a milestone in our progress toward a better ordered society, providing, as it does, the majority of our people with a substantial measure of security in infancy and childhood, in economic crises of their working life, and in their old age. It should be one of the forces working against the recurrence of severe depressions in the future. We can, as the principle of sustained purchasing power in hard times makes itself felt in every shop and store and mill, grow old without being haunted by the spectre of a poverty-ridden old age or of being a burden on our children.

In one great stride, the Social Security law seeks to bring us abreast of the social-security legislation that a few European countries have tested for a generation or more.

The objectives at which the bill aims are now generally accepted by enlightened opinion. They are not cure-alls, but mitigations of some of the chief economic contingencies of life—the fear of want and starvation from the sudden loss of a job, and the fear of poverty and homelessness in old age.

The Social Security Act should make our country a better and a happier place in which to live—for us, our children, and their children.

Helen Pulliam

LIBERTY IN THE COLLEGE

OPPOSING OPINIONS AS VOICED IN THE NEW YORK TIMES

CONTROL IN PLACE OF WORSE PENALTIES

DURING his undergraduate years a student is being shaped in body, mind, and spirit by many forces, good and bad. Of course the central influence of that period is the organized instruction for which the faculty alone is responsible. But life for the boy embraces more than this. He has his home experiences, his religious contacts and his reactions to the world of literature and art, of business and of public affairs.

Furthermore he seeks, with his fellows, to carry on activities under the general college sanction and on its grounds. The relation of the faculty to undergraduate athletics, publications, dormitories and fraternities, discussion groups, eating clubs, class politics and interclass rivalries is difficult to define in any hard and fast manner.

A charter to guide such matters was granted to the students by the trustees of the City College with this preamble:

"Recognizing the value of extracurriculum activities in college life and appreciating the need for the orderly development and democratic control of such activities so far as possible by the students themselves, and furthermore desiring to inculcate in the student body a realization of the importance of self-discipline, the trustees of the College of the City of New York, on the recommendation of the president, hereby grant to the student body the powers and duties set forth in the following articles, reserving always the right to amend or revoke the same."

A College's Responsibility

Clearly our trustees, like others, recognize that they are responsible to the public, parents and to the students themselves for